

December 2003



# North Dakota REV-E-NEWS

From Pam Sharp, Director  
**Office of Management and Budget**  
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**Locally, the economic outlook remains positive.** Increasing agricultural prices have contributed to strong personal income growth. **Unemployment in North Dakota remains very low.** October unemployment was a mere 3.6 percent, even lower than the 4.3 percent recorded one year ago. Nationally, the October unemployment rate was 6 percent, slightly higher than the 5.8 percent recorded one year ago.

*Economy.com*, the econometric forecasting firm used by the state, reports that the national economy continues to improve and there is mounting evidence that the economic recovery is evolving into a full economic rebound. **Real gross domestic product (GDP) grew by an annualized rate of over 7 percent during the third quarter of**

**2003.** Demand, production, and jobs are all growing. The most recent report by *Economy.com* indicates that there "is mounting evidence that businesses have resumed expanding their activities. Advertising has firmed, business travel has stabilized, and most importantly, **investment spending is on the rise.**"

With continued low unemployment, increasing personal income, and an improved national economy, the economic picture for North Dakota



is a positive one.

**We wish you  
a very  
Merry Christmas  
and a  
Happy New Year!!**

## Oil Activity

The current Tesoro posted price for oil is approximately \$26 per barrel and there are 13 oil rigs drilling in North Dakota, compared to 14 rigs one year ago.

September production averaged approximately 79,980 barrels per day, an increase from August average production of approximately 79,100 barrels per day.

## CAFR Completed

North Dakota's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003, has been completed. The CAFR is the only report showing a comprehensive view of the state financial picture. Copies of the CAFR will be available after January 1, 2004, through the Office of Management and Budget and may also be viewed on the Internet at <http://www.state.nd.us/fiscal>.

## GFOA Award

The Office of Management and Budget has been awarded the Distinguished Budget Presentation Award by the Government Finance Officers Association (GFOA). This award reflects the commitment of the Governor and his staff to meet the highest principles of governmental budgeting.

This award demonstrates that North Dakota has satisfied nationally recognized criteria to determine that the state's budget documents serve as a comprehensive policy document, financial plan, operations guide, and communications device for policy makers and the citizens of North Dakota.

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
***Compared to the Legislative Forecast***  
**2003-05 BIENNIUM**  
**November 2003**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 Forecast	Actual	Variance	Percent	March 2003 Forecast	Actual	Variance	Percent
Sales Tax	28,918,000	24,548,176	(4,369,824)	-15.1%	134,981,000	141,422,692	6,441,692	4.8%
Motor Vehicle Excise Tax	4,671,000	4,390,513	(280,487)	-6.0%	26,757,000	26,961,861	204,861	0.8%
Individual Income Tax	16,289,000	12,806,344	(3,482,656)	-21.4%	78,087,000	80,014,939	1,927,939	2.5%
Corporate Income Tax	1,646,000	92,426	(1,553,574)	-94.4%	4,086,000	3,303,186	(782,814)	-19.2%
Insurance Premium Tax	3,650,000	2,869,895	(780,105)	-21.4%	7,112,000	6,376,048	(735,952)	-10.3%
Financial Insitutions Tax		(243,924)	(243,924)	100.0%		(225,263)	(225,263)	100.0%
Oil & Gas Production Tax	1,805,000	1,459,017	(345,983)	-19.2%	9,723,000	8,930,998	(792,002)	-8.1%
Gaming Tax	1,800,000	1,504,676	(295,324)	-16.4%	5,550,000	4,588,828	(961,172)	-17.3%
Interest Income	371,000	62,864	(308,136)	-83.1%	1,705,000	362,062	(1,342,938)	-78.8%
Oil Extraction Tax	1,224,000	922,746	(301,254)	-24.6%	6,591,000	5,785,660	(805,340)	-12.2%
Cigarette & Tobacco Tax	1,660,000	1,694,907	34,907	2.1%	8,324,000	8,478,538	154,538	1.9%
Departmental Collections	1,200,000	2,774,540	1,574,540	131.2%	12,299,750	17,824,551	5,524,801	44.9%
Wholesale Liquor Tax	458,000	588,778	130,778	28.6%	2,524,000	2,600,609	76,609	3.0%
Coal Conversion Tax	2,036,000	2,092,387	56,387	2.8%	10,132,000	10,409,141	277,141	2.7%
Mineral Leasing Fees	350,000	433,159	83,159	23.8%	1,330,000	1,651,220	321,220	24.2%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					349,050	349,050	-	0.0%
Other Transfers		660	660	100.0%	13,410,000	13,424,819	14,819	0.1%
<b>Total</b>	<b>66,078,000</b>	<b>55,997,164</b>	<b>(10,080,836)</b>	<b>-15.3%</b>	<b>322,960,800</b>	<b>332,258,939</b>	<b>9,298,139</b>	<b>2.9%</b>
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
<b>Total Revenues and Transfers</b>	<b>66,078,000</b>	<b>55,997,164</b>	<b>(10,080,836)</b>	<b>-15.3%</b>	<b>322,960,800</b>	<b>382,258,939</b>	<b>59,298,139</b>	<b>18.4%</b>

**COMPARISON TO PREVIOUS BIENNIUM REVENUES**  
**2003-05 BIENNIUM**  
**November 2003**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	November 2001	November 2003	Variance	Percent	2001-03	2003-05	Variance	Percent
Sales Tax	30,568,653	24,548,177	(6,020,476)	-19.7%	134,508,443	141,422,692	6,914,249	5.1%
Motor Vehicle Excise Tax	5,407,435	4,390,513	(1,016,922)	-18.8%	26,555,154	26,961,861	406,707	1.5%
Individual Income Tax	15,831,691	12,806,345	(3,025,346)	-19.1%	75,904,735	80,014,939	4,110,204	5.4%
Corporate Income Tax	1,370,323	92,426	(1,277,897)	-93.3%	4,675,631	3,303,186	(1,372,445)	-29.4%
Insurance Premium Tax	3,296,676	2,869,895	(426,781)	-12.9%	5,565,375	6,376,048	810,673	14.6%
Financial Institutions Tax	287,379	(243,924)	(531,303)	-184.9%	660,904	(225,263)	(886,167)	-134.1%
Oil & Gas Production Tax*	1,552,729	1,459,017	(93,712)	-6.0%	8,138,416	8,930,998	792,582	9.7%
Gaming Tax	1,954,251	1,504,676	(449,575)	-23.0%	5,883,555	4,588,828	(1,294,727)	-22.0%
Interest Income	292,237	62,864	(229,373)	-78.5%	2,301,056	362,062	(1,938,994)	-84.3%
Oil Extraction Tax*	938,293	922,746	(15,547)	-1.7%	5,021,528	5,785,660	764,132	15.2%
Cigarette & Tobacco Tax	1,785,357	1,694,907	(90,450)	-5.1%	9,032,338	8,478,538	(553,800)	-6.1%
Departmental Collections	1,199,397	2,774,540	1,575,143	131.3%	13,116,130	17,824,551	4,708,421	35.9%
Wholesale Liquor Tax	521,483	588,778	67,295	12.9%	2,374,940	2,600,609	225,669	9.5%
Coal Conversion Tax	1,962,864	2,092,386	129,522	6.6%	9,520,272	10,409,141	888,869	9.3%
Mineral Leasing Fees	233,643	433,159	199,516	85.4%	1,200,372	1,651,220	450,848	37.6%
Bank of North Dakota-Transfer							-	
State Mill & Elevator-Transfer			-				-	
Gas Tax Admin-Transfer					340,848	349,050	8,202	2.4%
Other Transfers	5,791	659	(5,132)	-88.6%	68,240	13,424,819	13,356,579	19572.9%
Total	67,208,202	55,997,164	(11,211,038)	-16.7%	304,867,937	332,258,939	27,391,002	9.0%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Total Revenues and Transfers	67,208,202	55,997,164	(11,211,038)	-16.7%	304,867,937	382,258,939	77,391,002	25.4%

## Revenue Variances

Through November 2003, biennium-to-date revenue collections exceed legislative projections by over \$9 million, excluding the impact of the \$50 million in federal fiscal relief payments received by the state. Despite this good news, collections for the month of November were approximately \$10 million less than forecasted. The shortfall relates primarily to sales and use taxes, individual and corporate income taxes, and insurance premium tax collections.

Sales and use tax collections for the month were \$4.4 million less than forecasted, but remain \$6.4 million more than estimated for the biennium-to-date. This appears to be a timing issue that should correct itself in December. Sales tax collections for the first week of December 2003 exceeded collections during the same period last year by approximately \$4 million.

Individual income tax collections were \$3.5 million less than forecasted for the month, but still exceed biennium-to-date projections by over \$1.9 million, or 2.5 percent.

Due to a large number of refund requests, net corporate income tax collections were \$1.5 million less than forecasted and \$783,000, or 19.2 percent, less than forecasted for the biennium.

Insurance premium tax collections were \$780,000 less than estimated for the month and have fallen short of biennium-to-date projections by \$736,000, or 10.3 percent. This shortfall appears to be a result of timing and should be corrected in December.

*Comments or Questions???*

*Call*

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